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NEWS RELEASE

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PSC Accepts Settlement in Kenergy Rate Case

Amount is about 10 percent less than requested

FRANKFORT, Ky. (Nov. 17, 2011) – The Kentucky Public Service Commission (PSC) has approved a settlement that allows Kenergy Corp. to adjust its base rates in order to increase annual revenue by about $1.8 million, or approximately 0.4 percent.

In an order issued today, the PSC approved the settlement reached by Kenergy with the Kentucky Industrial Utility Customers, Inc. (KIUC). Kenergy had requested an increase of about $2 million.

The settlement does not affect rate adjustments Kenergy will make to pass through an increase in the wholesale cost of the electricity it purchases from Big Rivers Electric Corp. The Big Rivers rate increase was approved today by the PSC in a separate proceeding, and the pass-through rates were approved concurrently with the base rate settlement.

Under the settlement, an average residential customer will see an increase of about $2.50 in the portion of their bill attributable to base rates, about 30 cents below Kenergy's original request. Kenergy's monthly customer charge will increase from $10.50 to $12, which is $1 less than the original request. The usage-based charge for energy delivery will increase by about $1 per month, which is about 70 cents more than Kenergy's request.

These amounts do not include the pass through of a wholesale rate increase of approximately $19 million from Big Rivers to Kenergy. The combined wholesale and distribution rate changes will increase the average residential customer's monthly bill by $7.21, or 6.8 percent.

The settlement accepts all other rate adjustments proposed by Kenergy for other classes of customers and for charges for various services such as connecting new customers.

Kenergy serves about 54,500 customers in 14 counties in western Kentucky. It is one of three distribution cooperatives that both own and purchase power from Big Rivers.

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As allowed under Kentucky law, Kenergy put its proposed rates into effect on Sept. 1 and began billing at the higher rates. Its customers now will receive refunds, with interest, of the difference between what they paid under the proposed rates and the rates in the settlement, which, as ordered by the PSC, will have an effective date of Sept. 1.

In today's order, the PSC noted that Kenergy does not currently offer any permanent programs designed to reduce the demand for electricity through either conservation or increased efficiency. The PSC said Kenergy should make a "greater effort to offer cost-effective demand-side management (DSM) and other energy efficiency programs."

PSC Vice Chairman Jim Gardner, while agreeing with Chairman David Armstrong and Commissioner Charlie Borders on both the amount of the revenue increase and the need for a more aggressive approach to demand reduction, wrote a dissenting opinion objecting to the way in which the rate increase is structured.

Allocating the majority of the rate increase to the fixed monthly charge, rather than the usage-based charge, works to discourage energy efficiency efforts by customers, he said.

"In the absence of substantial DSM and energy efficiency programs, I cannot support a rate structure which increases the cost of electricity to residential customers regardless of the amount of energy consumed, particularly those customers who are able to reduce usage through their own energy efficiency efforts," Gardner said.

Today's orders and other documents in the case are available on the PSC website, psc.ky.gov. The case numbers are 2011-00035 (Kenergy) and 2011-00036 (Big Rivers).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

-30-

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